



CAYMAN ISLANDS

Office of the Governor
Grand Cayman
Cayman Islands

13 January 1988

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign and
Commonwealth Affairs
LONDON



Sir,

THE CAYMAN ISLANDS: ANNUAL REVIEW FOR 1987

1. My predecessor's review for 1986 highlighted the signing of the Mutual Legal Assistance Treaty with the United States. Although for reasons not to do with the Treaty itself (for the United States wishes to make similar treaties with other dependent Caribbean territories), it has not yet been ratified by the United States Senate, and it appears that ratification will not take place until well into 1988. Nevertheless, the signing of that treaty was the most significant event in Cayman's external relations since the decision not to go independent with Jamaica in 1962.

2. Responsible opposition within Cayman towards the Treaty has in effect disappeared. The quality of applicants for new banking licences is good; and although one cannot quantify it, dubious applicants who might otherwise have come forward, must have been dissuaded.

3. Further progress towards assisting the United States, and possibly other countries, in their pursuit of tax evasion as a criminal offence outside their jurisdictions, is at a standstill. Notwithstanding that the waters have settled after the signing of the Mutual Legal Assistance Treaty, I do not believe that Caymanians in general are yet ready to consider unemotionally the potential advantages of negotiating a treaty with the United States similar to that which Bermuda signed in 1986. They may be ready after the November 1988 general election.

4. The number of licenced banks is now 508, including 42 of the 50 biggest banks in the world. The number of licenced insurance companies has increased steadily, and the quality of applicant is good.

5. Black Monday (October the 19th) appears to have had no adverse effect on the financial industry in Cayman. Whether it may have an adverse effect on tourism, cannot yet be assessed.

6. Development, in physical terms, continues at a healthy pace. The construction industry is under some strain; and there is a conflict between the demands of businessmen to bring in more overseas labour, [REDACTED]

7. The tourist industry, in absorbing the additional capacity brought about by two large new hotels being opened in 1986, is coping reasonably well, although perhaps disappointed that the growth rate has not been quite what it hoped for. Two more large developments have been activated during 1987: Sandals, involving a Jamaican consortium, which would add some 220 rooms; and a Sheraton Hotel development with about 220 rooms. Both have struck moderate funding difficulties after the financial crash last October. This is a blessing in disguise, for the opening dates of each will be deferred by six to nine months; this will help the tourist industry to develop its support facilities for the further growth in tourists.

8. [REDACTED]

9. The most significant legislative developments in the year were the passing of the Merchant Shipping (Applicable Conventions) Law and the Labour Law. The former renders it possible for the UK Merchant Shipping Act and relevant Conventions to be applied to the Cayman Registry and presents further evidence of Cayman's determination to run a clean show in matters involving external parties; and although no significant financial benefits are forecast, in due course these may develop. The able assistance of the Foreign and Commonwealth Office and the Department of Transport has been greatly appreciated: the legislation, after necessary gestation, matured rapidly and was passed in September, with further amendments in November. The recruitment of Marine Surveyors is proceeding; and the necessary further measures are being pursued with the Department of Transport.

10. The Labour Law, after considerable opposition from the Chamber of Commerce and some large employers, and after a long period of negotiation under the aegis of a select committee of the Assembly, was passed in November. The debate in the Assembly turned out to be almost unanimous, somewhat surprisingly.

11. On the social services side, the Government has not managed so far to carry the community with it on the proposed social security scheme. [REDACTED]

[REDACTED]

13. The drug scene has shown little change, which in itself is a matter for which to be thankful. The drug-related prison population increased during the first half of the year but decreased to end slightly above its end 1986 level. Overall crimes reported dropped by 6% and the detection rate improved further to 75%.

14. There has been little progress in the formulation of a national effort against drug abuse; although the Executive Council Member in charge did announce in December his intention to form an administrative national council in advance of the new legislation. I fear that the portfolio concerned is not distinguishing itself by progressive and active programmes in general, let alone on drug abuse.

[REDACTED]

16. The statement by Mr Eggar towards the end of the year in the House of Commons on policy towards the dependent territories was met with satisfaction by the Government, and with no public comment of significance.

17. Which leads me to conclude, as did my predecessor, that Cayman is likely to remain prosperous, stable, and dependent. It will, I believe, fact and cope with its problems, which loom more largely than in the last two decades. Caymanians' perception of the present constitution is that it serves their purposes. Some chafe at what they choose to call "British domination"; some are ambitious and looking sideways at other Caribbean territories, believe (with some justification) that they could run the show competently. But the underlying feeling here is for a strong constitutional link with the United Kingdom along present lines.

[REDACTED]

[REDACTED]

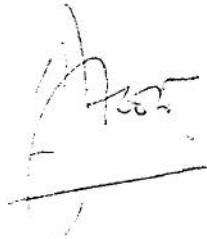
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[REDACTED]

[REDACTED]

19. I am sending copies of this Despatch to the High Commissioners in Port of Spain, Kingston, Bridgetown and Nassau; Her Majesty's Ambassadors in Washington and Havana; the United Kingdom Mission to the United Nations in New York; the Head of Development Division in Barbados; and, on a Personal basis, the Governors of Bermuda, Montserrat, the British Virgin Islands, the Turks and Caicos Islands and Anguilla.

I have the Honour to be,
Sir,
Your Most Obedient Humble
Servant



A J Scott
Governor

[REDACTED]

CAYMAN ISLANDS
ANNUAL CALENDAR OF EVENTS
1987

JANUARY

Visit of HMS Cardiff [REDACTED] Naval DA)
Heads of Mission/Governors Conference in Kingston
Eastern Airlines began daily service to Cayman
Inaugural flight of Shorts SD330 aircraft purchased by CAL
Drugs Inquiry conducted at Northward Prison
Nursery wing added to George Town Hospital

FEBRUARY

First 1987 meeting of the Legislative Assembly; Throne Speech
Private Members Motion to appoint a Speaker (in place of
the Governor as President) defeated
Visit of two RAF Harriers from Belize
Legislation passed for creation of Civil Aviation Authority
First employment survey published

MARCH

Governor on leave 6-25 March; Financial Secretary Acting Governor
Sitting of the Cayman Islands Court of Appeal
Agricultural Show
Visit of HMS Liverpool to Little Cayman
Visit of The Hon David Tonkin, Secretary General, Commonwealth
Parliamentary Association

APRIL

Visit of HMS Glasgow
Full Opening of Hyatt Hotel
Easter Regatta
Annual Flower Show
Second 1987 meeting of the Legislative Assembly
Opening of Harquail Theatre (Cayman Cultural Centre)

/MAY

MAY

HE Mr G P Lloyd and Mrs Lloyd depart
Road Transportation Study commenced

JUNE

HE Mr A J Scott and Mrs Scott arrive
Million Dollar Month Fishing Tournament
Queen's Birthday Parade
British Army exercise, Exercise Nickel Mercury, took place
in Cayman
Cayman Airways began twice weekly services to Atlanta and
Tampa
Sports Complex officially opened

JULY

Junior Caribbean Squash Tournament held in Cayman
Children's Fun Fishing Festival and visit of Mercury Morris
(American Football player) as part of "Say No to Drugs" campaign
Visit of Her Netherlands Majesty's Ship "Philips van Almonde"
with the Charge d'Affaires, Kingston

AUGUST

Miss Cayman contest
Sitting of the Cayman Islands Court of Appeal
Visit of [REDACTED] SLO, Washington

SEPTEMBER

Third 1987 meeting of the Legislative Assembly. Merchant
Shipping Law passed. National Trust (establishment) Law passed.
Visit of UK Trade Delegation
Salaries Commissioner arrives
Visit of [REDACTED] WIAD, FCO
Visit of Anglican Bishop of Jamaica for consecration of Church

OCTOBER

Visit of Lord Templeman for first Cayman Islands Law School
Graduation
Visit of [REDACTED] CI Government Representative, UK
Pirates' Week

/NOVEMBER

NOVEMBER

International Tax Planning Conference (160 plus delegates)

Remembrance Day Parade

Visit of [REDACTED], WIAD, FCO

Fourth 1987 meeting of the Legislative Assembly (Budget Session)

Labour Law passed.

Visit of HMS Arrow

Sitting of Cayman Islands Court of Appeal

Sir John Summerfield, Chief Justice, retires

UNESCO Caribbean Conference on "Music in the Life of Man"

takes place in Cayman

DECEMBER

Hon G D M Collett, Chief Justice, arrives

Visit of French Ship "Rhone"

Education Centenary Celebrations; Parade and other events

Visit by First Secretary, Indian High Commission, Kingston

Cayman Nautilus Triathlon (8 international competitors)